

# **STATISTICAL SAMPLING STATUTE/REGULATION**

**DRAFT—FOR DISCUSSION ONLY (8/14/06)**

## **Statute**

Audit Procedures.—

For purposes of administering this act, the Department may use statistical or other sampling techniques in examining returns or records and making assessments.

## **Regulation**

Audit Procedures.—

1. For purposes of administering this act, the Department is authorized to use statistical or other sampling techniques.
2. The use of statistical sampling audit methods is appropriate where
  - a. The taxpayer's records are substantially complete, but so detailed, complex or voluminous that an audit of all detailed records would be impracticable or unreasonable;
  - b. The cost of an audit of all detailed records to the taxpayer or to the State will be unreasonable in relation to the benefits derived, and sampling procedures will produce a reasonable result.
3. The use of other sampling audit methods is appropriate where the taxpayer's records are inadequate or insufficient, so that a competent audit for the period in question is not otherwise possible.
4. The Department shall make a reasonable effort to reach agreement with the taxpayer providing for the means and methods to be used in the sampling process; however, the failure of the Department to reach an agreement with the taxpayer shall not preclude the Department from using sampling techniques to audit a taxpayer's records.

